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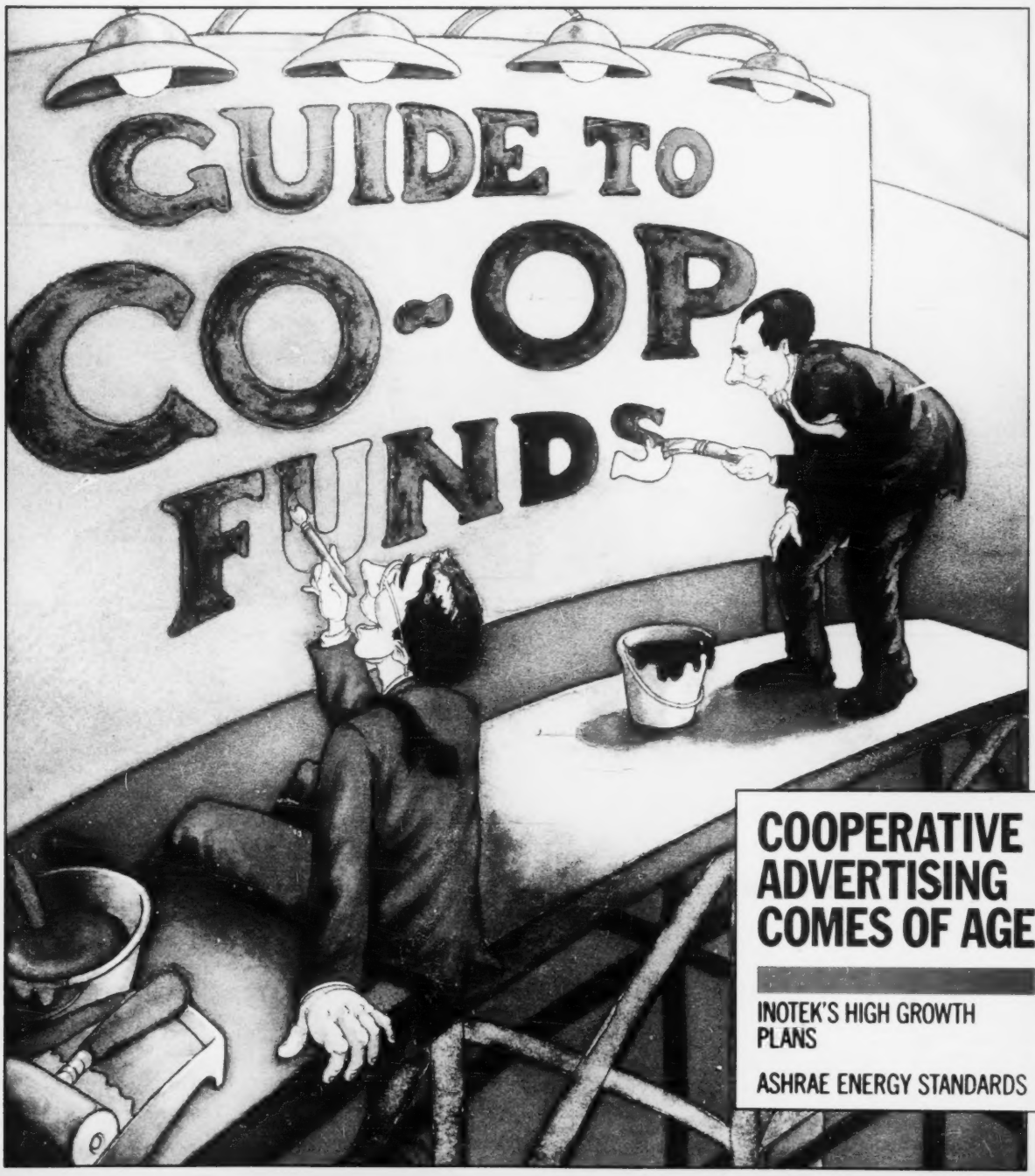
ELECTRICAL WHOLESALING



COOPERATIVE ADVERTISING COMES OF AGE

INOTEK'S HIGH GROWTH PLANS

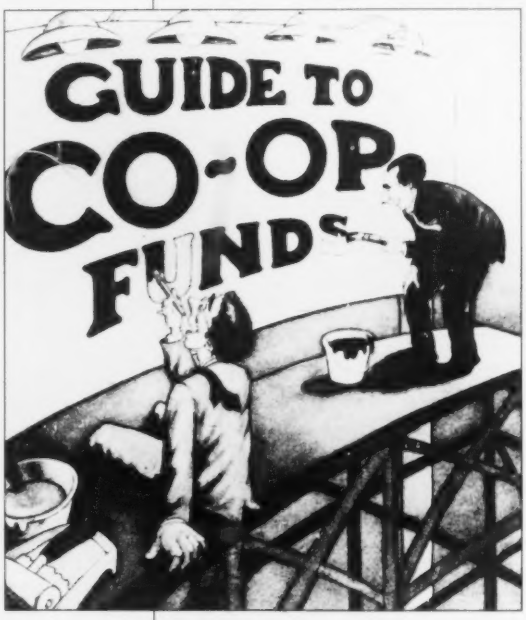
ASHRAE ENERGY STANDARDS

VOLUME 71
NUMBER 10

ELECTRICAL WHOLESALING

OCTOBER
1990

FEATURES



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THE PUBLISHER'S NOTE

As part of our continuing coverage of the evolving market environment that confronts distributors, this month's cover story explores one of the hottest topics in the electrical industry—cooperative advertising.

Starting on page 37, EW associate editor Dean Holstein reports on how co-op marketing programs have changed since the days when they consisted mostly of manufacturer-provided ad slicks for promoting lighting showrooms. Co-op programs now include direct mail, in-store promotions, customer training seminars, house organs, counter days—even local radio and television advertising. Your competitors, such as home centers and mass-market retailers, have used these tools for years. Here's your chance to see how you can compete in that same area.

The chart beginning on page 41 lists the co-op programs and promotional materials available from over 100 manufacturers. This new ELECTRICAL WHOLESALING exclusive provides the electrical industry's first-ever published analysis of these important marketing tools. By analyzing what manufacturers offer in the way of co-op advertising, distributors can gain new insight on how to market themselves more professionally. So much has been said recently about the importance of manufacturers and distributors establishing "marketing partnerships" with each other. Taking advantage of these co-op programs is one way you and your suppliers can give real meaning to this phrase.

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ever approach is used, the standard's basic requirements apply to the same building system components: electric power, lighting and other system equipment, envelope, HVAC systems and equipment, service water heating and energy management.

A designer who wants to take the easiest route to showing compliance would use the standard's prescribed energy-saving criteria for each part of a system, says Jim Heldenbrand, manager of standards at ASHRAE. Someone who wants more flexibility could use the systems performance method, he says, which gives an overall energy requirement—or an amount of energy to be used—for an entire system (e.g., lighting).

The compliance method that offers the greatest flexibility, however, is energy-cost budgeting. With this method, the designer calculates the annual energy costs of a prototype building and compares them to the computed annual energy consumption costs of the new building he plans to design. If the latter is less than or equal to the former, then the designer has complied with the standard. This approach allows the designer to come up with innovative ways to save energy in one area and use more in another, says Heldenbrand.

For instance, a designer who wants to exceed the energy usage levels for lighting that are allowed for in the prescriptive method could take energy from somewhere else, such as the HVAC installations. One way to accomplish this would be to reduce the air conditioning load and use a more efficient type of building siding, according to one electrical engineer. He says the designer could avoid putting large windows on the south side of the building, for instance, which soaks in the most heat from the sun, or use timers that reduce the air conditioning load from full blast an hour before the building is to be occupied to increasingly lower levels as the day progresses.

Heldenbrand emphasizes that Standard 90.1's requirements are meant to be cost-effective over the life cycle of a building. While many developers are sure to frown upon the standard because it will increase the initial construction costs of a building, in the long run it will lower the operating costs through reduced energy usage, resulting in a relatively short payback period.

In spite of complaints by industry groups such as the International Association of Lighting Designers, which charged ASHRAE with neglecting input from lighting officials on certain requirements, what Standard 90.1 attempts to accomplish is said to outweigh any shortcomings. The bottom line, says Heldenbrand, is that the standard provides for more energy-efficient and economical building environments.

For this reason, Standard 90.1 is destined to serve as the future role model for building design and operation, regardless of whether or not it is adopted in its entirety or partially as state or federal codes over the next few years. Keeping this in mind, electrical distributors should take a close look at the value of such energy-saving standards. □

FINANCIAL DATA

PROFIT PICTURE

ELECTRICAL DISTRIBUTORS SHOW A SLIGHT NET PROFIT GAIN IN 1989.

■ Electrical distributors ended up 1989 with a lower gross profit than they enjoyed in 1988--19.85% last year versus 20.47% the year before. But the good news is that they were able to put more money in their pockets during the same time period. Distributors showed 2.96% net profit before taxes in 1989, compared to 2.86% in 1988.

This information comes from a report compiled each year by the Electrical Manufacturers Credit Bureau (EMCB), Palatine, Ill. The report is designed to establish a basis for comparing and measuring the financial status and operating statistics of electrical distributors.

More than 750 financial statements for fiscal years ending in 1989 and early 1990 were received by the EMCB from electrical wholesalers. The organization says that only complete financial statements from qualified electrical distributors were considered for the national financial norms contained in the report. □

ELECTRICAL WHOLESALERS' OPERATIONS IN 1989

CURRENT ASSETS:		CAPITAL RATIOS:		OPERATING ANALYSIS:	
CASH	5.68%	CURRENT RATIO	1.86 TO 1	GROSS PROFIT	19.85%
RECEIVABLES	48.98%	QUICK RATIO	.99 TO 1	NET PROFIT (BEFORE TAXES)	2.96%
INVENTORY	45.34%	WORTH DEBT RATIO	.79 TO 1		

*% IN RELATION TO CURRENT ASSETS	NATIONAL NORM 1989	NATIONAL NORM 1988	NET WORTH UNDER $150,000	$150,000 TO $300,000	$300,000 TO $500,000	$500,000 TO $1,000,000	OVER $1,000,000
CASH*	5.68	4.13	2.54	4.67	7.84	3.10	6.70
RECEIVABLES*	48.98	45.73	43.84	44.57	41.23	52.02	50.80
INVENTORY*	45.34	50.14	53.62	50.76	50.93	44.88	42.50
CURRENT RATIO	1.86	1.98	1.74	1.83	1.68	1.61	1.94
QUICK RATIO	.99	1.08	.80	.90	.82	.88	1.12
WORTH DEBT RATIO	.79	.73	.41	.46	.72	.75	.96
GROSS PROFIT	19.85	20.47	17.34	17.81	22.28	21.25	19.64
NET PROFIT (BEFORE TAXES)	2.96	2.86	2.07	2.00	1.83	2.26	3.58

Current Ratio = Current Assets ÷ Current Liabilities
Quick Ratio = Cash and Receivables ÷ Current Liabilities
Worth Debt Ratio = Net Worth ÷ Total Liabilities